

- (2) The remainder of the surplus shall be available to the Newfoundland Government for developmental purposes within Newfoundland;
- (3) No part of the surplus shall be used to subsidize production or sale of Newfoundland products in unfair competition with similar products of other provinces, it being understood that this proviso does not preclude assistance to industry by such means as developmental loans on reasonable conditions or by ordinary provincial administrative services

Newfoundland will have the right within one year of union to deposit with the Government of Canada all or any part of the surplus held in dollars and to receive with respect thereto interest at the rate of two and five-eighths per cent annually during a maximum period of ten years after union on the minimum balance outstanding at any time in the year preceding payment of interest.

*Contract Rights Arising From Advances of Public Funds*

10. Newfoundland will retain its interest in, and any securities arising from or attaching to, any loans or advances of public funds made by the Government of Newfoundland before the union to municipalities, corporations or individuals.

*Subsidies to Provincial Government*

11. Canada will pay to the Province of Newfoundland the following statutory subsidies:
  - (1) \$180,000 and 80 cents per head of the population annually, subject to be increased to conform to the scale of grants authorized by the British North America Act, 1907, for the local purposes of the Province and the support of its government and legislature, provided that in no year shall the sums payable under this provision be less than those payable in the year of union;
  - (2) \$1,100,000 annually, in lieu of the various fixed annual awards, allowances and subsidies provided by statute from time to time for the Maritime Provinces or any of them, and in recognition of the special problems created for the island province of Newfoundland by geography and a sparse and scattered population.

*Tax Agreement*

12. Newfoundland will be entitled to enter a tax agreement for rental to Canada of the income tax, corporation tax and succession duty (inheritance tax) fields on either of the following bases, the option to be exercised within six months after union:

- (1) On the same basis as the existing agreements with other provinces which apply to fiscal years up to and including 1952;
- or, if Newfoundland prefers stability of revenue for a longer period,
- (2) An agreement providing for the same annual basis of payment by Canada as in existing agreements with other provinces (i.e., existing at the date of the exercise of the option), applying to fiscal years up to and including 1957, regardless of the terms which may be negotiated (after the date of the exercise of the option by Newfoundland) by other provinces in any renewals of the existing agreements.

If Newfoundland enters into a tax agreement, the subsidies under clause 11 above (\$180,000 and 80 cents per head of population and the fixed annual subsidy of \$1,100,000) will, as in the case of similar subsidies to other provinces, be included in the computation of tax agreement payments. (The methods of computing the payments to Newfoundland under such tax agreement are set forth in Annex III.)

*Transitional Grants*

13. In order to facilitate the adjustment of Newfoundland to the status of a province and the development by Newfoundland of revenue-producing services, Canada will pay to Newfoundland each year during the first twelve years of union a diminishing Transitional Grant payable as follows:

The sum of \$3,500,000 annually during each of the	
first three years after union	
In the fourth year.....	\$3,150,000;
" " fifth year.....	2,800,000;
" " sixth year.....	2,450,000;
" " seventh year.....	2,100,000;
" " eighth year.....	1,750,000;